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HOG NUMBERS RECOVER IN MOST COUNTRIES IN 1976 c1 234

Summary

Seventeen of 18 major pork producing countries reported an increase in swine inventories at the beginning of 1977 compared with the beginning of 1976. The only exception was Poland. For the others--the United States, Japan, Canada, Spain, Sweden, the European Community (EC), Hungary, Yugoslavia, and the USSR--1976 provided the necessary conditions and/or incentives to increase hog numbers.

However, within the group of 17, forecasts for 1977 differ. After an expansion boost in 1976 in the U.S., most EC countries, Sweden, and Japan, a subsequent deterioration in the cost/price situation signaled hog producers to adopt a more cautious rate of growth for 1977, which might result in slightly lowered hog numbers for some of these countries on January 1, 1978. The situation in Canada is slightly different. Although its swine numbers did increase in 1976, the reluctance of western grain farmers to shift from grain production to hog raising stifled this growth.

Conditions in the remaining countries remained relatively beneficial to hog producers throughout 1976, and their outlook for 1977 is optimistic enough to provide expectations of strong expansion in the hog/pork sectors of their economies. For some, like the USSR, Hungary, and Yugoslavia, this is, in fact, a part of the recovery from the 1975 drought.

Polish farmers, not unlike hog producers in the other 17 countries, allowed hog inventories to decline in 1975, but unlike the other countries, hog numbers declined even more significantly in 1976. Price actions taken by the Polish Government improved grain and potato harvests in 1976, and potentially large grain imports are expected to cause an expansion in numbers by the end of 1977--but at the expense of Polish slaughter and pork production in that year.

The general recovery in hog numbers is forecast to move world pork production in 1977 well above the 1976 level and slightly above that of 1975. However, the expected 1977 increase is not evenly distributed, with production in the United States, Japan, Spain and some of the EC countries increasing substantially, while production levels in the USSR and Eastern Europe will still be substantially below the 1975 level.

Production. The latest expansion in the U.S. hog cycle began very early in 1976. The pig crop for the winter-spring period and for the summer-fall period of the year registered 18.8 and 18.3 percent increases, respectively, over that of the year before. The pig crop for the year totaled 84.6 million head, up from 71.3 million in 1975.

Commercial slaughter, down 8.4 percent in the first half of the year, turned around in the last half, climbing by 18.3 percent over the last half of 1975 to 42.4 million head. This brought total slaughter for 1976 to 74.9 million head, a 7.3 percent gain--and production to 5.63 million tons. The difference between the increase in the pig crop and the increase in slaughter set the stage for an approximately 11 percent rise in hog inventory, which moved up to about 55.1 million head at the beginning of 1977.

Farrowing intentions for the winter-spring period of 1977 are up 7 percent over those for the same period of 1976. This slowing in the expansion phase of the hog cycle may be the result of a deterioration in the price situation in late 1976 as the hog/corn price ratio slipped below 15:1 during the week ending September 25, 1976 and did not recover until the week ending December 4. Since then the ratio has remained above 15:1, suggesting that slowing in hog-cycle expansion may be reversed if the price situation remains favorable.

Projections of total U.S. slaughter in 1977, at 81.2 million head, and pork production at about 6.1 million tons are tentative, especially considering the extremely cold winter weather in many swine growing areas in early 1977. This may have caused higher death losses and/or stunting, and pigs to be held off of the market or slaughtered at lighter weights due to lower feed conversion. This could, in turn, alter the number slaughtered, or the amount of pork produced during the first half of 1977. In addition, slaughter and production levels for the final months of 1977 are likely to be below those of late 1976 because of the lower spring pig crop. Another factor could be the incidence of pseudorabies virus in the U.S. swine herd in 1977, which could alter the number of gilts being slaughtered or held off of the market.

Exports. U.S. exports of pork in 1976, on a carcass weight equivalent (CWE) basis, totaled 146,400 tons. Additionally, shipments to U.S. territories and protectorates were 42,300 tons, representing 22 percent of the pork moving from the 50 States. Exports in 1976 were substantially above the 97,300 tons exported in 1975. Shipments were up very slightly.

In 1975 and 1976 Japan and Canada were the two major destinations for U.S. pork exports. Japan received 49,700 tons in 1975 and 57,000 tons in 1976. Canada purchased 36,700 tons in 1975 and 77,300 tons in 1976. The increase in exports to Japan occurred as a result of pork import duties being waived by that country during much of the time period between June 1975 and October 1976. The waiver was indirectly responsible for some of the increase in U.S. pork exports to Canada as Canadian pork exports to Japan were increasing at a time when Canadian supplies could not meet both the domestic and export demand. Canada is expected to remain a substantial market in 1977 as their pork production is again not expected to meet the demands placed on it.

Imports. U.S. imports of pork (CWE), almost all of which is canned product, dropped by about 2 percent in 1976, from 194,600 tons in 1975 to 190,500 tons. Denmark, Poland, and the Netherlands were the major sources for U.S. pork imports in both 1975 and 1976, representing about two-thirds of total U.S. pork imports each year.

On a net basis, the United States was a net importer of pork in 1976 by 44,000 tons, down from 99,000 tons in 1975. Net imports are expected to increase slightly in 1977 to about 60,000 tons, as a result of lower exports to Japan, and possibly slightly higher imports.

Japan

In Japan, the first 10 months of 1976 saw a 12.8 percent increase in purchases of pork for processing (to 227,000 tons CWE) and a 1.9 percent rise in household purchases of pork. The healthy demand picture was responsible for relatively strong hog prices, which, when coupled with stable- to lower-feed costs, was enough to bring Japanese swine numbers to an estimated 8.5 million head at the beginning of 1977, up almost 14 percent from the beginning of 1976. Pork production rose somewhat less, to 935,000 tons, but is forecast to increase to approximately 1 million tons in 1977.

In August, wholesale pork prices reached a record high, but then began to weaken. As wholesale prices declined, hog and pork producers demanded that the waiver of Japanese duties on imports of pork be removed. The waiver had been implemented in June 1975, and, except for a couple of months in the spring of 1976, had remained in effect, causing Japanese net pork imports (CWE) to increase from 178,000 tons in 1975 to 217,000 tons in 1976.

On October 31, 1976, the Japanese Government allowed the waiver on pork import duties to expire. This will effectively reduce Japanese imports of pork, as generally only shipments committed under long-term contracts, or cuts that are priced low enough to be attractive after duties are applied, will be imported. On March 31, 1977, the Japanese Ministry of Agriculture increased both the ceiling and floor support prices for pork by about 4.3 percent.

Japanese pork prices are expected to become more competitive with broilers in 1977, which should provide the basis for continuing increases in pork consumption.

Canada

Reluctance of grain farmers in the western provinces of Canada to increase hog production frustrated expectations of higher pork production in 1976. Continuing favorable prices for malting barley, due to the recent drought in Western Europe, and an understandable reluctance on the part of Canadian hog farmers to jeopardize profitable returns by increasing production, may limit an expected upswing in slaughter during 1977.

A 5 percent gain (over the beginning of 1976) in the number of pigs under 3 months of age on January 1, 1977, should lead to an equal increase in

marketing during the second quarter of the year. However, expected farrowings during the January-March 1977 period will be up only 3 percent over the first quarter of 1976, indicating a smaller rise in marketings during the last half of 1977. The year-to-year changes in marketing should result in an increase in the number to be slaughtered for the year to about 8.5 million head.

Canadian pork trade in 1977, presenting much the same picture as occurred in 1976, will be influenced by two factors. The first is that several Provincial hog marketing boards have secured long-term commitments to sell pork to Japan. The second is that domestic production of pork, while increasing to about 500,000 tons, is not expected to meet demand. This situation in 1976 resulted in net imports of 51,700 tons, but in 1977 the net import figure is expected to be in the range of 40,000 tons. About 95 percent of Canadian pork imports come from the United States.

Substantial pork imports plus some increase in pork production in 1977 are expected to ease retail prices. This could be followed by increases in domestic pork consumption, which has been down somewhat since the end of 1974.

European Community

Favorable prices in late 1975 and 1976 set the stage for increased hog numbers in all EC countries. As of January 1, 1977, EC hog numbers had risen from 68.1 million head (on January 1, 1976) to 70.2 million head. Denmark, France, Germany, and Italy enjoyed favorable returns to hog producers throughout 1976; however, prices in the other EC countries began to slip, at one point or another, during 1976.

In Belgium and Luxembourg, rising retail prices, tighter consumer budgets, and growing unemployment caused hog prices to fall after reaching a peak in February 1976. In Ireland, by mid-1976 the hog/feed price ratio had slipped to a critical level and is now unattractive. Expansion in Irish breeding sow numbers is expected to be slight in 1977. Slaughter may increase a little during the year, and if the hog/feed price ratio does not improve, hog numbers may decline.

Pig producers in the United Kingdom have also been faced with a cost/price squeeze. Barley and protein feed prices have increased. Prices of pigs and pig meat, almost alone in the food sector, have fallen. This is due to an increase in imports of EC pork products for which monetary compensatory amounts operate like export subsidies on the pork products going to the United Kingdom. Because the pig herd stopped expanding and sow numbers dropped in the last part of 1976, the U.K. Government implemented a subsidy on pig production, a unilateral action that may arouse repercussions from the EC Commission. If the EC implements changes in the system of monetary compensatory amounts, and if feed costs remain steady in the United Kingdom, pig returns may improve during 1977. At any rate, an increase in slaughter is expected due to the buildup in numbers that occurred before expansion was halted.

An outbreak of swine fever (hog cholera) in the midwestern section of the Netherlands is just one of the problems in the hog/pork sector of that

country. Prices for Dutch slaughter hogs began to decline in April 1976. Dutch pig prices may erode still further since the Dutch pork industry relies heavily on exports to other EC countries and the United States, where ample supplies of slaughter hogs are projected through mid-1977.

An uncompetitive meat processing industry (due to high wages), unfavorable exchange rates between the U.S. dollar and the Dutch guilder, and continued lower export subsidies from the EC, have produced a gloomy outlook for the first half of 1977. While not permanent, the newly added restrictions on the movement of hogs and pork out of the region infected with swine fever--an area accounting for about 20 percent of Dutch hog production--raises the probability that the Netherlands may not ship as much pork in 1977 as in 1976.

The Danish hog/pork industry also relies heavily on exports to other EC countries and to the United States. Increasing supplies of pork in the EC, lack of growth in the EC market for fresh pork, the national subsidy to U.K. pig producers, and expanding U.S. production and falling U.S. prices, could lead to declining prices for Danish hogs. However, domestic pork consumption is increasing, and the Danes are expected to work in the EC market to replace any decline in the U.S. market. In addition, the Danes expect Japan to continue to be a sizable market in 1977.

Italian imports of pork in 1977 may equal the levels of 1976 because of continued high demand for pork, but balance-of-payment problems are prompting the Italian Government to consider methods of slowing meat imports. One method under consideration would be to increase the value-added tax on hogs and pork from 6 percent to 12 percent. Since domestic pig producers are exempt from the tax, the effect would be to give a price and cost advantage to domestic production. Value wise, 83 percent of Italian pork imports came from other EC countries in 1976.

France, which saw both pork production and swine numbers increase in 1976, is forecasting a rise in pork production in 1977, but with fewer pigs by the beginning of 1978. France, a traditional importer of pork and slaughter hogs from Belgium and the Netherlands, is one of those markets where increased production in 1977 may reduce import demand.

Pork production in Germany is forecast to expand and meet the growing demand. Exports from Germany will be assisted by monetary compensatory amounts, which because of Germany's appreciating currency, provide even more of an export subsidy.

Spain

Spain has traditionally been a net pork importer. However, mounting inflation, greater price increases for red meats than for other protein sources, and rising poultry meat consumption, may hold gains in red meat consumption to a minimum. Therefore, an anticipated 8 percent increase in pork production, to 650,000 tons in 1977, should result in a significant decline in net pork imports for Spain.

In 1973, the Swedish Government froze prices on some basic agricultural commodities in an attempt to control inflation. In order to keep agricultural returns in line with nonfarm returns, the government subsidized agricultural production using national budget funds. Pork was one of the commodities affected. Since the price freeze on meat and meat products, domestic pork consumption jumped from 221,000 tons to 272,000 tons in 1976. It is estimated that per capita consumption grew by about 22 percent.

In mid-1976 the Swedish Government limited any additional subsidy payment on meats to 40 percent of the price increase and beginning January 1, 1977, it stopped providing any additional subsidies. The consumer now has to bear the burden of any further price increase, and this has apparently broken the trend of accelerating pork consumption. Pork consumption in the near future is expected to continue increasing, but at a much slower rate.

Hungary

Slightly more than 50 percent of Hungary's swine production comes from small individual production units, with the remainder from large, socialized, collective farms. In 1975, because of the lack of assured markets, high feed prices, the threat of taxation, and sporadic availability of feeds, the small individual production units began herd liquidation. The increased slaughter in 1975 included a high percentage of sows and subsequently resulted in low inventory numbers at the beginning of 1976.

A Government program aimed at stopping the decline in the number of swine produced by the small operations resulted in expansion by both the large- and the small-scale production units. Slaughter in 1976 was down due to the Government campaign, and to the lowered sow numbers at the beginning of 1976. Hungarian slaughter of hogs in 1977 should increase and be only 6 percent below the approximately 9 million head slaughtered in 1974.

Poland

Polish hog production is largely in private hands, with 85 percent of the production coming from small, private farms. The main feed ingredient in the Polish hog ration is normally potatoes. In 1975, unhappiness with hog prices (which are dictated by the State, as slaughter pigs are sold only to State plants) caused the many small hog producers to lower the amount of acreage planted to potatoes and to decrease hog production.

At the beginning of 1976, hog numbers in Poland stood at 21.6 million head down only slightly from the beginning of 1975, while sow numbers had decreased by 16 percent to 1.76 million head. Originally the 1976 pig crop had been estimated at about 15.6 million head, down about 35 percent from that of 1975. But because slaughter declined only 17 percent in 1976, the actual decrease was 23 percent to about 16.8 million on January 1, 1977.

Government incentive programs (including increased prices), improved grain and potato harvests in 1976, and large grain imports may pave the way toward

an upturn in hog numbers. However, as sow numbers at the beginning of 1977 were only 1.78 million head, it is doubtful that hog numbers will be more than 18.0 million head on January 1, 1978. Given good grain and potato crops in 1977 and farmer willingness to expand, Polish hog numbers could approach the levels of 1975 by the latter part of 1978.

In view of the shortage of domestic supplies of pork, imports are expected to increase and Polish consumers will likely increase their consumption of beef and poultry. Poland is ordinarily a net exporter of pork, but with the shortage, net exports could slip from the 41,800 tons in 1976 to 10,000 tons or less in 1977.

Yugoslavia

In the spring of 1975, the livestock industry in Yugoslavia entered a period characterized by overabundance of slaughter animals and depressed prices. An EC limitation on cattle and beef imports from Eastern Europe exacerbated the situation, as the overabundance of beef hurt the pork sector. In August 1975, the hog/corn price ratio slipped to 5.9 to 1. During this time period, Yugoslav farmers reportedly could not sell livestock at any price, precipitating a major slaughter of young livestock and breeding stock.

A record corn crop in 1975 and a good corn harvest in 1976, coupled with improved demand and price (both foreign and local) brought the hog/corn ratio up to 9.1 to 1 by October 1976. As demand built, the shortage of pork became acute, causing the free market price to move well above the State's guaranteed price, and 1976 exports declined despite relatively strong foreign demand. However, because of the severity of the situation in 1975, Yugoslavian farmers have been reluctant to expand. Their nervousness appears now to be receding somewhat and, with the supply of corn from the 1975 and 1976 harvests, an expansion of swine numbers is expected in 1977. The increase, however, will be at the expense of slaughter, raising the possibility that pork supplies will fall short of domestic demand and export requirements in 1977. Expected growth in supplies of poultry may cushion the shortage in pork supplies to some extent.

USSR

Pork production in the USSR in 1976, dropped 20 percent from the 1974 level to 4.4 million tons. This decrease was due to the effects of the distress slaughter of 1975 and the need for rebuilding the swine herd. It had been thought that the large supplies of pork produced as a result of the distress slaughter might have been exported late in 1975; however, a recent report of Soviet cold storage capacity and a report of slightly increased sausage production in 1976 raises the likelihood that much or all of the "extra" pork produced in 1975 was carried over into 1976.

Recognizing this probability and that consumption in 1976 is estimated to have been about 8 percent lower than in 1974, there was still a significant difference between available supplies and demand. On the basis of preliminary reports, total imports of meat and meat products, including poultry, reached about 350,000 tons in 1976. While production for all categories is forecast to increase in 1977 over that of 1976, it may not reach the 1975 level. This, plus the need to restore stocks, would suggest the possibility of substantial

imports. Reportedly, to date, the Soviets have made contracts for about 100,000 tons of meat and meat products to be delivered in 1977. It is likely that depending on price and availability, there will be substitution of other meats and poultry for pork.

Soviet pork production in 1977 is projected at 5 million tons, still about 10 percent below the production level of 1974 due to continuing efforts to rebuild swine numbers.

TABLE 1.--PIG NUMBERS FOR 18 COUNTRIES
(In thousands of head)

Country	Pig numbers ^{1/}			Sows and gilts ^{2/}			Annual pig crop		
	1975	1976 ^{3/}	1977 ^{4/}	1978 ^{5/}	1975 ^{3/}	1976 ^{4/}	1977 ^{5/}	1976 ^{4/}	1977 ^{5/}
U.S.	55,062	49,602	55,085	56,245	9,928	11,664	12,319	71,306	88,100
Canada.....	5,895	5,409	5,587	5,500	648	611	630	9,832	9,634
EC:									
Belgium-Luxembourg..	4,761	4,765	4,938	5,000	538	537	537	9,137	8,912
Denmark.....	8,054	7,585	7,897	8,000	911	884	914	11,000	11,500
France.....	12,031	11,451	11,652	11,482	1,399	1,336	1,305	18,000	19,100
West Germany.....	20,234	19,805	20,728	21,428	2,161	2,210	2,329	33,100	36,200
Ireland.....	796	880	902	880	89	101	106	1,991	2,226
Italy.....	8,814	8,888	9,150	9,000	702	745	790	8,291	8,990
Netherlands.....	7,143	7,059	7,150	7,170	903	925	890	14,263	14,750
United Kingdom.....	7,870	7,668	7,800	7,900	819	845	870	13,453	14,133
EC total.....	69,703	68,101	70,217	70,860	7,522	7,583	7,741	109,235	115,811
Spain.....	7,865	8,583	8,750	9,865	984	1,121	1,100	9,600	10,700
Sweden.....	2,446	2,485	2,585	2,650	256	280	290	4,900	5,250
Japan.....	7,684	7,459	8,500	8,650	911	962	1,005	15,721	17,100
14 country total...	148,655	141,639	150,544	153,381	20,249	22,221	23,085	220,594	246,595
Hungary.....	8,293	6,953	7,855	8,405	609	597	660	9,500	8,500
Poland.....	21,708	21,643	16,764	18,000	2,096	1,760	1,781	23,817	19,957
Yugoslavia.....	7,683	6,537	6,852	7,352	1,375	1,196	1,251	13,134	13,200
USSR.....	72,300	57,900	63,000	72,300	4,020	3,713	4,020	65,700	76,400
18 country total...	258,639	234,672	237,160	259,438	28,349	29,487	30,797	332,745	364,652

^{1/} Approximates 1st of year census. ^{2/} Definition of breeding stock varies from country to country; however, series for each country is consistent. ^{3/} Preliminary data. ^{4/} Estimates. ^{5/} Projections.

TABLE 2.--SLAUGHTER AND PORK PRODUCTION IN 18 COUNTRIES

Country	Total slaughter ^{1/} (1,000 head)			Total pork production ^{2/} (1,000 metric tons, CWE)		
	1975 ^{3/}	1976 ^{4/}	1977 ^{5/}	1975 ^{3/}	1976 ^{4/}	1977 ^{5/}
U.S.	69,824	74,949	81,200	5,218	5,631	6,077
Canada.....	8,358	7,900	8,525	495	476	506
EC:						
Belgium-Luxembourg.....	7,608	7,559	7,712	608	605	617
Denmark.....	10,923	10,628	10,750	734	718	725
France.....	18,456	18,675	19,170	1,470	1,499	1,540
West Germany.....	32,579	32,850	34,200	2,415	2,485	2,590
Ireland.....	1,490	1,780	1,800	99	118	119
Italy.....	8,170	8,600	9,100	775	808	844
Netherlands.....	10,654	10,700	10,800	843	845	853
United Kingdom.....	12,766	13,013	13,345	845	862	888
EC total.....	102,646	103,805	106,877	7,789	7,940	8,176
Spain.....	8,012	7,975	8,625	602	600	650
Sweden.....	3,792	3,900	4,000	279	290	301
Japan.....	14,375	14,257	15,250	910	935	1,000
14 country total.....	207,007	212,786	224,477	15,293	15,872	16,710
Hungary.....	9,500	7,900	8,500	484	411	432
Poland.....	20,626	17,202	16,207	1,793	1,495	1,409
Yugoslavia.....	12,518	10,635	11,100	390	350	375
USSR.....	74,391	55,232	62,500	5,800	4,400	5,007
18 country total.....	324,042	303,755	322,784	23,760	22,528	23,933

^{1/} Includes farm slaughter. ^{2/} Excludes lard and rendered pork fat. ^{3/} Preliminary data.

^{4/} Estimates. ^{5/} Projections.

TABLE 3.--NET IMPORTS OF PORK FOR 18 COUNTRIES ^{1/}
(Negative values indicate net exports)
(1,000 metric tons, CWE)

Country	1964	1970	1975 ^{2/}	1976 ^{3/}	1977 ^{4/}
U.S.	58.9	172.4	98.9	44.1	6.0
Canada	-2.1	16.7	4.1	51.7	40.8
EC:					
Belgium-Luxembourg	8.8	-135.7	-209.5	-208.0	-220.0
Denmark	-496.3	-521.0	-541.0	-511.0	-519.0
France	86.7	183.7	174.0	186.9	175.0
West Germany	20.5	116.1	314.0	300.0	305.0
Ireland	-46.0	-54.8	-15.8	-31.8	-32.0
Italy	21.0	95.7	293.5	335.3	333.9
Netherlands	-163.8	-342.9	-413.5	-416.5	-410.0
United Kingdom	639.3	621.3	482.0	464.0	441.0
Total EC	70.2	-37.6	83.7	118.9	73.9
Spain	3.2	3.5	43.3	39.0	4.5
Sweden	-13.6	-7.5	-24.0	-19.3	-25.0
Japan	4.4	18.9	178.0	217.0	130.0
14 countries	85.3	117.4	384.0	409.1	242.4
Hungary	-3.0	23.4	-49.8	-4.1	-4.3
Poland	-114.8	-97.8	-66.6	-41.8	-10.0
Yugoslavia	-93.3	-55.8	-33.5	-17.0	-10.0
USSR	26.3	-11.6	5.6	250	130
18 countries	-99.5	-24.4	239.7	596.2	348.1

^{1/} Difference between imports and exports. Export figures may include shipments to a country's trust territories or protectorates for countries other than U.S. ^{2/} Preliminary data.
^{3/} Estimates. ^{4/} Projections.

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